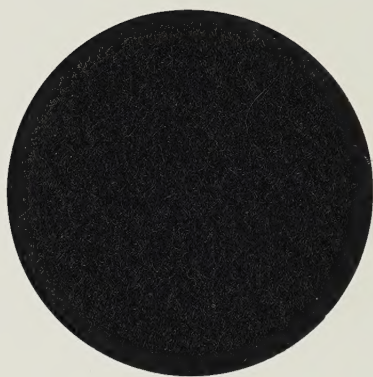


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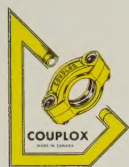
ALGONQUIN
BUILDING CREDITS
LIMITED

16TH ANNUAL REPORT
FOR THE
FISCAL YEAR ENDED
DECEMBER 31, 1972





MANUFACTURING DIVISIONS



COUPLOX FITTINGS
& COUPLINGS



DUO-MATIC INDOOR
CLIMATE CONTROL PRODUCTS



ALGONQUIN CAPITAL CORPORATION
LIMITED



AFFILIATES





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ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Alberta Room of the Royal York Hotel, 100 Front Street West, Toronto, at 11:00 o'clock in the morning on Tuesday, April 17, 1973.



ALGONQUIN BUILDING CREDITS LIMITED

BOARD OF DIRECTORS

| | | | | | | | | | | |
|-----------------------|---|---|---|---|---|---|---|---|---|---------------------|
| W. R. Abbott ✓ | - | - | - | - | - | - | - | - | - | Don Mills, Ontario |
| C. H. Franklin ✓ | - | - | - | - | - | - | - | - | - | Willowdale, Ontario |
| E. R. Heald ✓ | - | - | - | - | - | - | - | - | - | Toronto, Ontario |
| F. D. Lace ✓ | - | - | - | - | - | - | - | - | - | Toronto, Ontario |
| C. C. Laking ✓ | - | - | - | - | - | - | - | - | - | Willowdale, Ontario |
| W. B. Macdonald ✓ | - | - | - | - | - | - | - | - | - | Toronto, Ontario |
| E. R. S. McLaughlin ✓ | - | - | - | - | - | - | - | - | - | Oshawa, Ontario |
| D. E. McQuigge ✓ | - | - | - | - | - | - | - | - | - | Toronto, Ontario |
| G. A. Savage ✓ | - | - | - | - | - | - | - | - | - | Waterford, Ontario |

OFFICERS

| | | | | | | | | | | | |
|-----------------|---|---|---|---|---|---|---|---|---|---|----------------------------|
| C. H. Franklin | - | - | - | - | - | - | - | - | - | - | <i>President</i> |
| F. D. Lace | - | - | - | - | - | - | - | - | - | - | <i>Vice-President</i> |
| W. B. Macdonald | - | - | - | - | - | - | - | - | - | - | <i>Vice-President</i> |
| W. R. Abbott | - | - | - | - | - | - | - | - | - | - | <i>Secretary-Treasurer</i> |
| R. M. Lambe | - | - | - | - | - | - | - | - | - | - | <i>Assistant Secretary</i> |
| S. D. Somers | - | - | - | - | - | - | - | - | - | - | <i>Controller</i> |

HEAD OFFICE

931 Yonge Street

Toronto, Ontario M4W 2H7

AUDITORS

Clarkson, Gordon & Co.

Toronto, Ontario

SOLICITORS

Fasken & Calvin

Toronto, Ontario

TRANSFER AGENTS & REGISTRAR

The Royal Trust Company

Box 7500, Station A,
Toronto, Ontario

BANKERS

The Royal Bank of Canada

Toronto, Ontario

SUBSIDIARIES

Algonquin Capital Corporation Limited

Toronto, Ontario

Coupco Limited

Pickering, Ontario

Duo-Heet Distributors Limited

Waterford, Ontario



DIRECTORS' REPORT

To the Shareholders:

It is a pleasure to submit your Company's sixteenth Annual Report on behalf of the Board of Directors.

Net earnings from operations, excluding the gain on sale of investments, rose to \$373,562 (58.4¢ per issued share) from last year's \$231,457 (38.7¢ per issued share). When the gain on sale of investments for the year is added, the annual net earnings for the year increased to \$717,061 (\$1.12 per issued share). Revenue in 1972 increased to \$3,783,625 from \$2,441,478 in 1971. Of significant interest, especially to long-time shareholders, should be the decrease in bank loan by the sum of \$1,205,000 during the year, and the reduction in deficit from \$886,341 at the beginning of the year to \$169,280 at the end of the year.

The results include the manufacturing and sales operations of both the Duo-Matic and Coupco divisions for the full year, together with Coupco's subsidiary, Ideal ABC Limited, in which your Company re-purchased the 10% minority interest previously held by Automatic Burner Corporation of Chicago.

With payment of the March 15th, 1973 fifth annual \$333,600 debenture instalment by way of cash payment of \$133,440 and share payment of \$200,160 (40,032 Class "A" 5¢ Preference Shares), the debentures will have been totally retired.

The \$200,000 worth of 6% unsecured convertible promissory notes which matured on December 15th, 1972 were wholly converted into 50,000 Class "A" 5¢ Preference Shares.

Your Company's common share interest in Hardee Farms International Ltd. increased to 2,026,225 shares due to reorganization of the 365 Class "A" First Preferred shares of Hardee owned by Algonquin.

During the year, Hardee repaid to Algonquin the sum of \$450,000, being the net proceeds from Florida land sales for the period. Hardee's affairs continue to prosper and, in July, it completed and put into operation a new freezing facility in the Ingersoll area and, in December, 1972, it purchased all of the outstanding shares of Freeze-Dry Foods Limited at Oakville, Ontario. Hardee's associate, Federal Diversiplex Limited, is making considerable headway in reducing its operating losses and it is anticipated that this trend will continue.

In June, the investment in Toromont Industrial Holdings Ltd. was liquidated for a gain of \$343,499.

Your Company's "Rivalda Farms" Vaughan Township property on the fringe of Metropolitan Toronto is still held intact. Book valuation is maintained on

original cost basis plus accumulated net carrying costs of \$256,223, creating a total cost on this prime land of approximately \$7,670 per acre. It is understood by your Directors the present value of land in the immediate area of "Rivalda" is estimated to be approximately double this cost.

The technical competence of the operating divisions of Algonquin and its affiliates continues at a high level.

During 1972, the senior personnel at Coupco developed to patent a high-speed, powered pipe grooving tool which has met instant acceptance by the mechanical contracting trades.

The senior personnel at Duo-Matic developed to testing and approval stage a new line of gas furnaces and a smaller air-circulating electric furnace. The latter is suitable for the recreational or "second home" heating requirement.

Hardee's new Ingersoll freezing plant designed by senior personnel of the Produce Supply Division and constructed and started up during 1972 is a credit to all concerned and is already recognized as probably the best bulk vegetable freezing facility in Canada today.

Hardee's acquisition in late December of Freeze-Dry Foods Limited in Oakville opens an entirely new market area to Hardee's operations. Freeze-Dry had already developed and Hardee is continuing, as rapidly as possible, the expansion and development of a line of instant recreational-type foods, the latest of which require only the addition of a cup of boiling water to become a delicious meal.

Hardee has achieved virtually year-round use of the Lambeth freezing facility by utilizing the plant's off-season capacity to the full for production of frozen french fries.

Your Company continues to constantly seek other areas of investment or endeavour and many situations were investigated during the year.

It is with regret we record the resignations of Mr. T. H. Inglis and Mr. G. A. Savage, both of whom materially assisted your Company during their tenure as Directors.

Your Directors are most appreciative of the efforts of all levels of personnel, both in Algonquin and in its associated companies, during the year under review.

On behalf of the Board of Directors

Toronto, Ontario
February 22, 1973.

C. H. Franklin
President

ALGONQUIN BUILDING CREDITS LIMITED

and its subsidiary companies

FIVE YEAR REVIEW

| Operating Results | 1972 | 1971 | 1970 | 1969 | 1968 (note) |
|--|-------------|-------------|-------------|------------|----------------|
| Gross Revenue - - - - - | \$3,783,625 | \$2,441,478 | \$1,693,472 | \$ 264,272 | \$ 255,524 |
| Earnings from Operations before Income Taxes - - - - - | 377,940 | 239,855 | 87,685 | 119,696 | (128,871) |
| Provision for Income Taxes - - - - - | 170,640 | 125,398 | 40,933 | 63,930 | — |
| Net Earnings from Operations before the following: - - - - - | 207,300 | 114,457 | 46,752 | 55,766 | (128,871) |
| Reduction of Income Taxes on application of prior years' losses - - | 166,262 | 117,000 | 35,880 | 63,930 | — |
| Net Earnings from Operations - - - | 373,562 | 231,457 | 82,632 | 119,696 | (128,871) |
| Gain on Sale of Investments - - - - | 343,499 | | | | |
| Net Earnings for the Year - - - - - | 717,061 | 231,457 | 82,632 | 119,696 | (128,871) |

Financial Position

| | | | | | |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Total Assets - - - - - | 5,872,104 | 6,687,938 | 5,756,759 | 5,964,605 | 2,626,117 |
| Total Liabilities - - - - - | 2,596,153 | 4,529,208 | 4,029,646 | 4,520,284 | 2,542,848 |
| Total Net Assets - - - - - | 3,275,951 | 2,158,730 | 1,727,113 | 1,444,321 | 83,269 |

Represented By:

| | | | | | |
|-------------------------|-----------|-----------|-----------|-----------|-----------|
| Share Capital - - - - - | 3,445,231 | 3,045,071 | 2,844,911 | 2,644,751 | 1,257,450 |
| Deficit - - - - - | 169,280 | 886,341 | 1,117,798 | 1,200,430 | 1,174,181 |
| | 3,275,951 | 2,158,730 | 1,727,113 | 1,444,321 | 83,269 |

Per Share Issued:

| | | | | | |
|--------------------------------------|---------|---------|---------|---------|---------|
| Net Earnings before Tax Recovery - - | 32.4¢ | 19.2¢ | 8.4¢ | 12.5¢ | (50.5¢) |
| Net Earnings from Operations - - - | 58.4¢ | 38.7¢ | 14.8¢ | 26.8¢ | (50.5¢) |
| Net Earnings for Year - - - - - | \$1.12 | 38.7¢ | 14.8¢ | 26.8¢ | (50.5¢) |
| Book Value - - - - - | \$4.71 | \$3.57 | \$3.06 | \$2.75 | .33¢ |
| Total Shares Outstanding - - - - - | 695,340 | 605,308 | 565,276 | 525,244 | 255,106 |

NOTE: Per share statistics for 1968 have been calculated on the basis of the reorganization dated March 7, 1969.

ALGONQUIN BUILDING CREDITS LIMITED

(Incorporated under the laws of Ontario)

and its subsidiary companies

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 1972

ASSETS

| | 1972 | 1971 |
|--|-----------|-----------|
| Cash - - - - - | \$ 7,545 | \$ 22,909 |
| Accounts receivable - - - - - | 815,422 | 665,663 |
| Inventories (note 2) - - - - - | 654,886 | 602,177 |
| Instalment notes receivable after allowance for doubtful accounts (note 3) - | 57,657 | 143,669 |
| Land held for resale (note 4) - - - - - | 1,401,016 | 1,340,963 |
| Mortgages receivable over terms of up to twelve years (note 5) - - - - - | 357,247 | 598,218 |
| Investments, at cost (note 6) - - - - - | 1,722,807 | 2,454,786 |
| Fixed assets, at cost less accumulated depreciation (note 7) - - - - - | 513,952 | 505,835 |
| Excess of purchase price of subsidiaries over fair value at dates of acquisition - | 341,572 | 353,718 |

On behalf of the Board:

C. H. Franklin, *Director*

D. E. McQuigge, *Director*

| | |
|--------------------|--------------------|
| <u>\$5,872,104</u> | <u>\$6,687,938</u> |
|--------------------|--------------------|

(See accompanying notes to consolidated financial statements)

AUDITORS' REPORT

To the Shareholders of Algonquin Building Credits Limited:

We have examined the consolidated balance sheet of Algonquin Building Credits Limited and its subsidiary companies as at December 31, 1972 and the consolidated statements of earnings, deficit and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada,

February 10, 1973.



LIABILITIES AND SHAREHOLDERS' EQUITY

| | 1972 | 1971 |
|--|--------------------|--------------------|
| LIABILITIES: | | |
| Bank loans (note 8) - - - - - | \$ 389,000 | \$1,594,000 |
| Accounts payable and accrued charges - - - - - | 472,973 | 568,968 |
| Unearned interest on mortgages - - - - - | 15,680 | 22,194 |
| Current portion of long-term debt (note 9) - - - - - | 1,418,500 | 612,400 |
| Long-term debt (note 9) - - - - - | 300,000 | 1,718,500 |
| | <u>2,596,153</u> | <u>4,516,062</u> |
| Minority interest in subsidiary company - - - - - | | <u>13,146</u> |
| SHAREHOLDERS' EQUITY: | | |
| Capital stock (notes 9 and 10)— | | |
| Authorized: | | |
| 1,000,000 5¢ class A non-voting non-cumulative participating preference shares without par value | | |
| 500,000 common shares without par value | | |
| Issued: | | |
| 235,128 class A preference shares | 3,445,231 | 3,045,071 |
| 460,212 common shares | | |
| Deficit - - - - - | (169,280) | (886,341) |
| | <u>3,275,951</u> | <u>2,158,730</u> |
| | <u>\$5,872,104</u> | <u>\$6,687,938</u> |

(See accompanying notes to consolidated financial statements)

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.
Chartered Accountants



ALGONQUIN BUILDING CREDITS LIMITED

and its subsidiary companies

CONSOLIDATED STATEMENT OF EARNINGS

For the year ended December 31, 1972

| | 1972 | 1971 |
|---|-------------------|-------------------|
| Revenue: | | |
| Sales of manufactured goods - - - - - | \$3,548,543 | \$2,162,262 |
| Earned service charges and other income - - - - - | 45,664 | 92,998 |
| Interest on investment in Hardee Farms International Ltd. - - - - | 189,418 | 186,218 |
| | <u>3,783,625</u> | <u>2,441,478</u> |
| Expenses: | | |
| Manufacturing and selling - - - - - | 2,808,364 | 1,746,117 |
| General and administrative - - - - - | 424,779 | 286,892 |
| Costs of borrowing money - - - - - | 135,418 | 137,731 |
| Depreciation - - - - - | 37,124 | 30,883 |
| | <u>3,405,685</u> | <u>2,201,623</u> |
| Earnings from operations before provision for income taxes and other income - | 377,940 | 239,855 |
| Provision for income taxes - - - - - | 170,640 | 125,398 |
| Earnings from operations before other income - - - - - | <u>207,300</u> | <u>114,457</u> |
| Other income: | | |
| Gain on sale of investments - - - - - | 343,499 | |
| Provision for income taxes thereon - - - - - | 42,300 | |
| | <u>301,199</u> | |
| Earnings for the year before extraordinary item - - - - - | 508,499 | 114,457 |
| Extraordinary item: | | |
| Reduction of income taxes on application of prior years' losses - - - | 208,562 | 117,000 |
| Net earnings for the year - - - - - | <u>\$ 717,061</u> | <u>\$ 231,457</u> |
| Earnings per share (note 11): | | |
| Earnings from operations before other income - - - - - | 32.4¢ | 19.2¢ |
| Earnings for the year before extraordinary item - - - - - | 79.5¢ | 19.2¢ |
| Net earnings for the year - - - - - | <u>\$1.12</u> | <u>38.7¢</u> |

(See accompanying notes to consolidated financial statements)

CONSOLIDATED STATEMENT OF DEFICIT

For the year ended December 31, 1972

| | 1972 | 1971 |
|--------------------------------------|-------------------|-------------------|
| Deficit, beginning of year - - - - - | \$ 886,341 | \$1,117,798 |
| Net earnings for the year - - - - - | 717,061 | 231,457 |
| Deficit, end of year - - - - - | <u>\$ 169,280</u> | <u>\$ 886,341</u> |

(See accompanying notes to consolidated financial statements)

ALGONQUIN BUILDING CREDITS LIMITED

and its subsidiary companies



CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the year ended December 31, 1972

| | 1972 | 1971 |
|---|-------------|--------------|
| Source of funds: | | |
| Net earnings for the year - - - - - | \$ 717,061 | \$ 231,457 |
| Add adjustment for items not requiring an outlay of funds - - | 40,911 | 7,652 |
| | 757,972 | 239,109 |
| Less gain on sale of investments - - - - - | 343,499 | |
| Total from operations - - - - - | 414,473 | 239,109 |
| Mortgages receivable - - - - - | 255,244 | 254,165 |
| Instalment notes receivable - - - - - | 61,438 | 80,548 |
| Acquisition of wholly-owned subsidiary - - - - - | | 202,760 |
| Retirement of Hardee demand note - - - - - | 450,000 | 101,623 |
| Sale of investments - - - - - | 707,446 | |
| | 1,888,601 | 878,205 |
| Use of funds: | | |
| Conversion of 6% promissory notes due in 1972 - - - - \$200,000 | | |
| Less 50,000 Class A shares issued - - - - 200,000 | ø | |
| Retirement of non-interest bearing debentures - - - - \$333,600 | | |
| Less 40,032 Class A shares issued - - - - 200,160 | 133,440 | 133,440 |
| Retirement of other long-term debt - - - - - | 78,800 | 71,800 |
| Carrying costs of land held for resale - - - - - | 60,053 | 61,621 |
| Purchase of investments - - - - - | 81,968 | 442,502 |
| Purchase of fixed assets - - - - - | 45,241 | 27,464 |
| Decrease in bank loan - - - - - | 1,205,000 | (195,000) |
| Purchase of minority interest in subsidiaries - - - - - | 1,000 | 65,700 |
| | 1,605,502 | 607,527 |
| Increase in funds - - - - - | \$ 283,099 | \$ 270,678 |
| Represented by net changes in: | | |
| Cash - - - - - | \$ (15,364) | \$ (151,247) |
| Accounts receivable - - - - - | 149,759 | 328,189 |
| Inventories - - - - - | 52,709 | 263,659 |
| Accounts payable and accrued charges - - - - - | 95,995 | (169,923) |
| | \$ 283,099 | \$ 270,678 |

(See accompanying notes to consolidated financial statements)



ALGONQUIN BUILDING CREDITS LIMITED

and its subsidiary companies

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1972

1. BASIS OF CONSOLIDATION

The consolidated financial statements include all of the subsidiaries of the company.

The consolidated statement of earnings for 1971 includes the results of operations of Coupco Limited from November 1, 1971, the date of acquisition.

2. INVENTORIES

| | <u>1972</u> | <u>1971</u> |
|--|------------------|------------------|
| Raw materials—at lower of cost or replacement cost - - - - - | \$348,248 | \$332,007 |
| Work in process—at lower of cost or net realizable value - - - - - | 77,717 | 54,522 |
| Finished goods—at lower of cost or net realizable value - - - - - | 228,921 | 215,648 |
| | <u>\$654,886</u> | <u>\$602,177</u> |

3. INSTALMENT NOTES RECEIVABLE

At December 31, 1972 notes receivable totalled \$392,785 (\$503,371 in 1971), all of which had matured and accordingly were in arrears. An allowance for doubtful accounts of \$335,128 (\$359,702 in 1971) has been provided against these notes.

4. LAND HELD FOR RESALE

Land held for resale is shown at its original cost of \$1,144,793 plus carrying costs of \$256,223. Carrying costs include interest on the related 7% mortgage, plus municipal taxes, less rental income.

5. MORTGAGES RECEIVABLE

At December 31, 1972, mortgages receivable totalled \$400,542 (\$655,785 in 1971) against which an allowance for doubtful accounts of \$43,295 (\$57,567 in 1971) has been provided.

6. INVESTMENTS

| | 1972 | | 1971 |
|--|-----------------|--------------------|--------------------|
| | Market | Cost | Cost |
| Toromont Industrial Holdings Limited - - - - - | | | \$ 355,898 |
| Other investments - - - - - | \$88,941 | \$ 111,552 | 86,604 |
| | <u>\$88,941</u> | <u>111,552</u> | <u>442,502</u> |
| Hardee Farms International Ltd. - - - - - | | 1,611,255 | 2,012,284 |
| | | <u>\$1,722,807</u> | <u>\$2,454,786</u> |

The investment in Hardee Farms International Ltd. consists of a 10% \$1,657,000 demand note (\$2,107,000 in 1971), 2,026,225 common shares (approximately 44% of the outstanding common shares) and 365 6% \$75 convertible notes. The quoted market value of the common shares and the 6% convertible notes at December 31, 1972 was \$2,155,000. The quoted market value does not necessarily reflect the amount which would be realized if the common shares and 6% convertible notes were sold. The company does not intend to recognize any profit on the retirement of the Hardee note until the cost of the note is recovered.

7. FIXED ASSETS, AT COST

| | 1972 | 1971 |
|------------------------------------|------------------|------------------|
| Land - - - - - | \$ 11,294 | \$ 11,294 |
| Buildings - - - - - | 320,749 | 320,749 |
| Equipment - - - - - | 359,163 | 330,689 |
| Patterns and moulds - - - - - | 276,385 | 259,618 |
| | <u>967,591</u> | <u>922,350</u> |
| Accumulated depreciation - - - - - | 453,639 | 416,515 |
| | <u>\$513,952</u> | <u>\$505,835</u> |

8. BANK LOANS

The bank loans are secured by a \$2,700,000 floating charge debenture, the investment in Hardee Farms International Ltd., and a general assignment of book debts.

9. LONG-TERM DEBT

| | Current portion | Long-term portion | Total 1972 | Total 1971 |
|--|--------------------|----------------------|--------------------|--------------------|
| 7% mortgage, due December 23, 1973 payable \$10,000 semi-annually - - - - - | \$ 852,000 | | \$ 852,000 | \$ 872,000 |
| Non-interest bearing debentures - - - - - | 333,600 | | 333,600 | 667,200 |
| 8.9% realty and chattel mortgage, payable \$24,000 per annum - - - - - | 24,000 | \$100,000 | 124,000 | 148,000 |
| 9.1% realty and chattel mortgage, payable \$8,000 per annum - - - - - | 8,000 | | 8,000 | 16,000 |
| 6% unsecured convertible promissory notes - - - - - | 200,000 | 200,000 | 400,000 | 600,000 |
| Other - - - - - | 900 | | 900 | 27,700 |
| | <u>\$1,418,500</u> | <u>\$300,000</u> | <u>\$1,718,500</u> | <u>\$2,330,900</u> |

It is the company's intention to refinance the 7% mortgage of \$852,000 on maturity.

The non-interest bearing debentures of \$333,600 mature on March 15, 1973; \$133,440 of the \$333,600 is to be paid in cash and the remaining \$200,160 by the issue of 40,032 class A preference shares.

The 6% unsecured promissory notes mature in instalments of \$200,000 on December 15, 1973 and 1974. These notes are convertible, in whole or in part, into class A preference shares at the rate of \$4.00 of principal amount for each share.

10. CAPITAL STOCK

During the year, 90,032 class A preference shares valued at \$400,160 were issued on the maturity of long-term debt.

Of the authorized and unissued class A preference shares, 100,000 shares are reserved under the conversion privilege of the 6% unsecured convertible promissory notes and 40,032 shares are reserved under the terms of the non-interest bearing debentures.

Dividend payments, if any, in any fiscal year on the class A non-cumulative preference shares and the common shares are to be made in the following order:

- (a) a 5¢ dividend is to be paid on the preference shares before any dividend is paid on the common shares,
- (b) then a 5¢ dividend is to be paid on the common shares, and
- (c) then the same dividend is to be paid on the common and preference shares.

The class A non-voting preference shares rank equally with the common shares in all other respects.

11. EARNINGS PER SHARE

The earnings per share figures are calculated using the weighted daily average of shares outstanding during the respective fiscal years. The class A preference shares have been treated as common shares for purposes of the calculation.

The fully diluted earnings per share figures for 1972, assuming all of the non-interest bearing debentures and the 6% notes had matured on January 1, 1972, would have been:

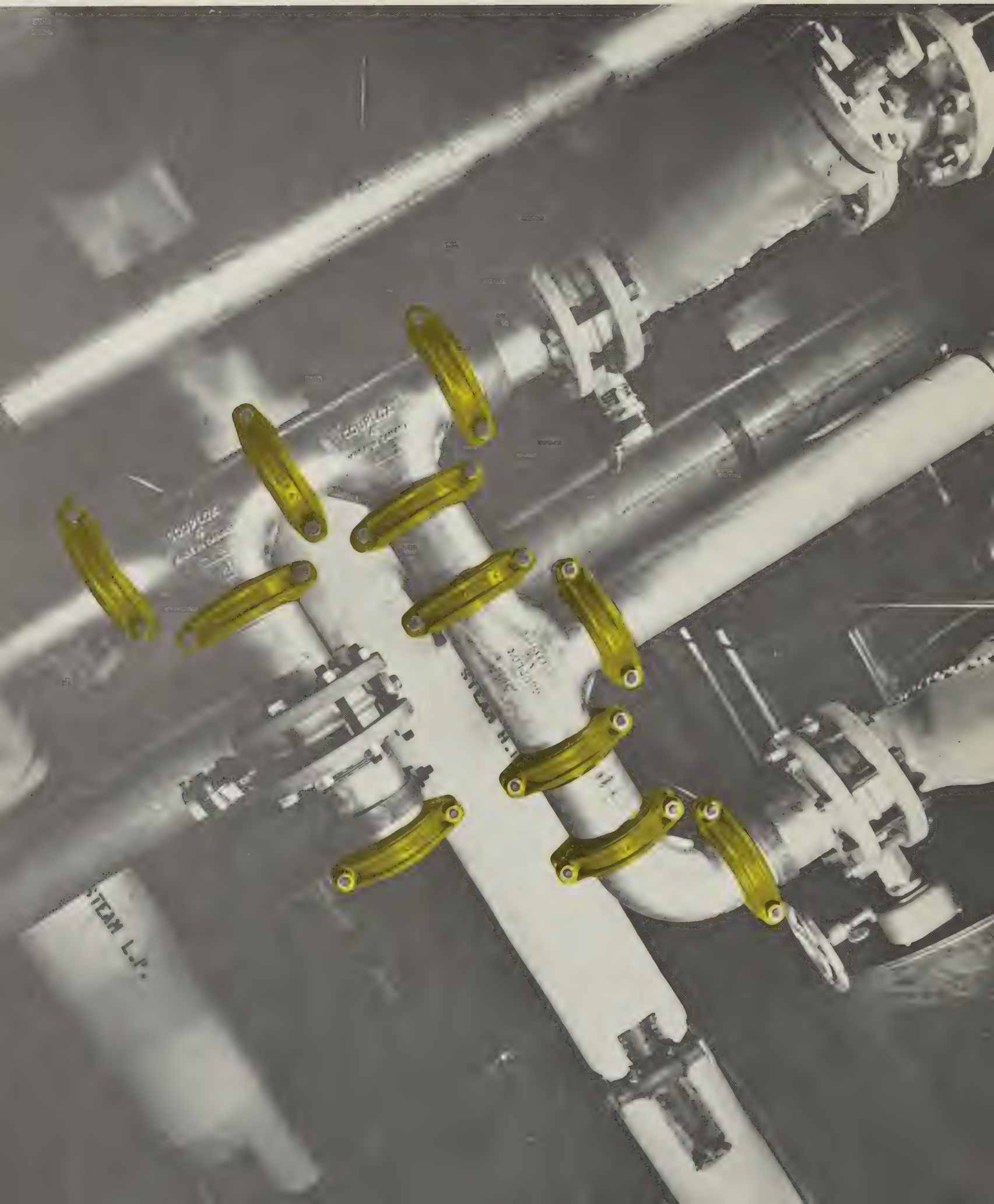
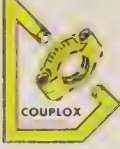
| | <u>1972</u> | <u>1971</u> |
|---|--------------|--------------|
| Earnings for the year before extraordinary item - - - - - | <u>63.0¢</u> | <u>14.2¢</u> |
| Net earnings for the year - - - - - | <u>90.1¢</u> | <u>28.8¢</u> |

12. INCOME TAXES

Future income taxes payable by Algonquin Building Credits Limited and its subsidiary companies may be reduced by approximately \$213,600 as a result of prior years' losses available at December 31, 1972.

13. REMUNERATION OF DIRECTORS AND OFFICERS

During the year the aggregate direct remuneration of seven directors was \$500. Remuneration of six senior officers, of which four are directors, was \$49,450. Remuneration of four other employees, considered to be senior officers as defined under the requirements of The Business Corporations Act, 1970 of Ontario, was \$77,545.









TO THE SHAREHOLDERS — HARDEE FARMS INTERNATIONAL LTD.

Sales and unaudited net earnings for the 24 weeks ended November 11, 1972, were \$6,022,219 and \$274,193 respectively against \$5,221,369 and \$263,042 respectively for the period ended November 13, 1971.

The Company is not subject to payment of income tax due to prior years' losses but depreciation of \$119,076 was charged against the above profit figures.

An early pay-out in excess of \$1,000,000 on one of the Florida land sale agreements was recently received and the funds have been applied to reduction of debt.

Having regard for the extremely adverse agricultural weather conditions experienced throughout North America during the past growing and harvesting seasons, food operating results to date are considered satisfactory. The new freezing facility outside Ingersoll, Ontario, started up and operated efficiently and satisfactorily. This new plant should materially add to income of future years as its volume of production rises.

The automotive division remains an area of some concern and continued action is being taken to overcome unsatisfactory results in that activity.

As announced in a recent press release, your Company expects, as of December 28, 1972, to complete the purchase of all of the outstanding shares and shareholder notes of Freeze-Dry Foods Limited, Oakville, Ontario. This acquisition extends the capability of your Company toward overall food marketing penetration and permits further processing of existing products.

Shareholders will also be interested to learn that the "Compromise or Arrangement" dated October 5, 1972, between the Company and its Preferred Shareholders has been confirmed with the issue of Supplementary Letters Patent. Instructions to First and Second Preferred Shareholders concerning issue of the new securities are in process of preparation for mailing early in the new year.

At a Directors' meeting convened today, Mr. A. W. Walker was appointed a Director to replace Mr. Leo Wynnycky, an outgoing First Preferred Board representative. Mr. Walker was also promoted to the Presidency of your Company, effective January 1, 1973.

December 21, 1972 On behalf of the Board  Chairman and Chief Executive Officer

CONSOLIDATED STATEMENT OF EARNINGS for the 24 weeks ended November 11, 1972

(with comparative figures for the 24 weeks ended November 13, 1971)

| | 1972 | 1971 |
|---|-------------------|-------------------|
| Sales - - - - - | \$6,022,219 | \$5,221,369 |
| Cost of Sales and Other Expenses - - - - - | 5,402,471 | 4,634,516 |
| Depreciation - - - - - | 119,076 | 124,242 |
| | <u>5,521,547</u> | <u>4,758,758</u> |
| Earnings from Operations before Interest - - - - - | 500,672 | 462,611 |
| Interest - - - - - | 226,479 | 199,569 |
| | <u>274,193</u> | <u>263,042</u> |
| Provision for Income Taxes - - - - - | 137,000 | 131,500 |
| Net Earnings before Extraordinary Item - - - - - | 137,193 | 131,542 |
| Reduction of Income Taxes on Application of Prior Years' Losses - - - - - | 137,000 | 131,500 |
| Net Earnings for the Period - - - - - | <u>\$ 274,193</u> | <u>\$ 263,042</u> |
| EARNINGS PER SHARE | | |
| Net Earnings before Extraordinary Item - - - - - | 2.6¢ | 2.5¢ |
| Net Earnings for the Period - - - - - | 5.9¢ | 5.7¢ |

Earnings per share on a fully diluted basis are not significantly different from those reported above.

HARDEE FARMS INTERNATIONAL LTD.

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS for the 24 weeks ended November 11, 1972 (with comparative figures for the 24 weeks ended November 13, 1971)

| | 1972 | 1971 |
|--|-------------------|------------------|
| SOURCE OF FUNDS: | | |
| Net Earnings for Period - - - - - | \$ 274,193 | \$ 263,042 |
| Depreciation - - - - - | 119,076 | 124,242 |
| Total from Operations - - - - - | 393,269 | 387,284 |
| Mortgages Receivable and Agreement to Sell - - - - - | 953,001 | 7,726 |
| Long-term debt incurred - - - - - | 301,414 | — |
| Proceeds from disposal of assets held for sale - - - - - | 22,241 | 10,402 |
| Common shares issued - - - - - | — | 12,001 |
| | <u>1,669,925</u> | <u>417,413</u> |
| USE OF FUNDS: | | |
| Purchase of fixed assets (net) - - - - - | 519,651 | 234,718 |
| Retirement of long-term debt - - - - - | 728,230 | 98,092 |
| Sundry investments - - - - - | — | 19,095 |
| | <u>1,247,881</u> | <u>351,905</u> |
| Increase in Working Capital - - - - - | <u>\$ 422,044</u> | <u>\$ 65,508</u> |

PRODUCE SUPPLY DIVISION





**TO THE SHAREHOLDERS—FEDERAL DIVERSIPLEX LIMITED:**

For the first 24 weeks of the current fiscal year operations resulted in an unaudited net loss of \$68,485 after depreciation of \$75,464; sales were \$4,432,494. This compares with a loss of \$126,595 (depreciation \$38,548) on sales of \$1,763,774 during the same period a year ago. Current figures include those related to Valley View Dairies which was acquired as of November 1, 1971. As has been previously reported, operating results of the Dairy have been favourable.

Although many significant changes have been made in the snack food production and distribution business at Bradford, Ontario, results of that Division have remained disappointing. Further steps are currently being taken to curtail continuation of snack food losses.

Harvesting of the Company's fresh vegetable crops has been later than in previous years due to very unusual weather conditions. In spite of this, Federal's overall crop situation is good and activities of the agricultural Division should be beneficial over the course of the next few months.

November 8, 1972

On behalf of the Board

Chairman

CONSOLIDATED STATEMENT OF EARNINGS

for the 24 weeks ended September 16, 1972

| | 1972 | 1971 |
|--|-------------|-------------|
| Sales - - - - - | \$4,432,494 | \$1,763,774 |
| Cost of sales and other expenses - - - - - | 4,420,990 | 1,857,598 |
| | 11,504 | (93,824) |
| Investment income - - - - - | 16,325 | 6,000 |
| | 27,829 | (87,824) |
| Depreciation - - - - - | 75,464 | 38,548 |
| Amortization of debenture discount - - - - - | 450 | 450 |
| Interest on long-term debt - - - - - | 20,400 | 4,590 |
| | 96,314 | 43,588 |
| Loss before the undernoted - - - - - | 68,485 | 131,412 |
| Gain on disposal of fixed assets - - - - - | — | 11,203 |
| | 68,485 | 120,209 |
| Income taxes - - - - - | — | 5,366 |
| | 68,485 | 125,575 |
| Minority interest - - - - - | — | 1,020 |
| Loss for the period - - - - - | \$ 68,485 | \$ 126,595 |
| Loss per share - - - - - | 8¢ | 14¢ |

CONSOLIDATED SOURCE AND USE OF FUNDS

for the 24 weeks ended September 16, 1972

| | 1972 | 1971 |
|---|------------|-----------|
| SOURCE OF FUNDS: | | |
| Loss for the period - - - - - | \$ 68,485 | \$ — |
| Depreciation and other items not requiring an outlay of funds - - - - - | 75,914 | — |
| Total from operations - - - - - | 7,429 | — |
| Debentures and mortgages receivable - - - - - | 23,565 | 9,008 |
| Proceeds on disposal of fixed assets - - - - - | — | 59,770 |
| | 30,994 | 68,778 |
| USE OF FUNDS: | | |
| Loss for the period - - - - - | — | 126,595 |
| Depreciation and other items not requiring an outlay of funds - - - - - | — | 40,018 |
| Total for operations - - - - - | — | 86,577 |
| Purchase of fixed assets - - - - - | 146,581 | 1,627 |
| Retirement of long-term debt - - - - - | 94,000 | 1,500 |
| Mortgages receivable - - - - - | — | 58,420 |
| | 240,581 | 148,124 |
| Decrease in Working Capital - - - - - | 209,587 | 79,346 |
| Working Capital—Beginning of Year - - - - - | 64,673 | 62,957 |
| Working Capital Deficiency—End of Period - - - - - | \$ 144,914 | \$ 16,389 |



FREEZE-DRY FOODS LIMITED





VALLEY VIEW DAIRIES



